



ENHANCING YOUR IP IQ

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MARKING—OLD WINE IN NEW BOTTLES

Despite persistent misinterpretations that are all too easy to make, a 73-year-old U.S. Supreme Court case and subsequent Federal Circuit decisions agree that a patent owner who does not make or sell a patented article complies with the marking statute without needing to provide actual notice to the alleged infringer. Yet, practitioners still stumble over this detail, then have to face the consequences. Knowing this rule will enhance your IP IQ.

The statutory duty to mark is set out in 35 U.S.C. § 287 (a), which provides:

Patentees, and persons making, offering for sale, or selling . . . any patented article . . . may give notice to the public that the same is patented, either by fixing thereon the word 'patent' or the abbreviation 'pat,' together with the number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice.

This provision, which sounds permissive, is clear enough and familiar to intellectual property attorneys as the "marking" requirement. The statute then continues:

In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice. *Id.*

So, what does this mean for patentees who don't make, offer for sale or sell a patented article? Does the statute provide, as some have thought, that a patentee who does not practice the patent must give notice or sue before damages will start to accrue? What kind of notice does the patentee have to give, if any? Unless you've run into this issue before, the answer may surprise you.

ABOUT SHB

Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.

OLD WINE

The U.S. Supreme Court faced these questions 73 years ago in *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387 (1936). The patentee sought infringement damages in a counterclaim. The patentee had never made, sold or licensed anyone else to sell a patented article. Importantly, the patentee gave the alleged infringer no notice before filing the counterclaim. *Id.* at 393.

Yet, the patentee sought damages for infringement that occurred before the date the counterclaim was filed. While the district court allowed pre-counterclaim damages, the Circuit Court of Appeals reversed and held that no damages were available for infringement before the counterclaim. *Id.* at 392.¹

The alleged infringer argued that the statute required a patentee, whether or not it made or sold patented products, to give notice to the alleged infringer either by marking a patented article or providing formal notice of infringement. *Id.* at 394.

Rejecting this argument, the Court observed, (1) "If respondent's position is correct, process patents and patents under which nothing has been manufactured may be secretly infringed with impunity, notwithstanding injury to owners guilty of no neglect."² *Id.* at 395; and (2) "If the word 'patentees' is not qualified by 'making or vending any patented article,' the section would seem to impose on such persons a duty to the public impossible of performance when no article is made or vended by them." *Id.*

The U.S. Supreme Court summarized its holding, saying:

The idea of a tangible article proclaiming its own character runs through this and related provisions. Two kinds of notice are specified—one to the public by a visible mark, another by actual advice to the infringer. *The second becomes necessary only when the first has not been given; and the first can only be given in connection with some fabricated article.* Penalty for failure implies opportunity to perform. *Id.* at 395 (emphasis added).

1 The applicable statute was a predecessor to the current marking statute and provided, "It shall be the duty of all patentees . . . and of all persons making or vending any patented article . . . to give sufficient notice to the public that the same is patented . . . [I]n any suit for infringement, by the party failing so to mark [sic], no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement, and continued, after such notice, to make, use, or vend the article so patented." *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 392 (1936).

2 Note that the marking statute is not triggered by process or method claims. *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993); *Bandag, Inc. v. Gerrard Tire Co., Inc.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983). But patent owners must be careful. "Where the patent contains both apparatus and method claims, however, to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so if it intends to avail itself of the constructive notice provisions of section 287(a)." *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538-39 (Fed. Cir. 1993)

Patent owners can sue only on the method claims of a patent with both method and apparatus claims if the marking statute poses a problem. This strategy was again approved in March 2009 in *Crown Packaging Technology, Inc. v. Rexam Beverage Can Co.*, 2009 WL 678743, *1 (Fed. Cir., March 17, 2009). The court held, "[B]ecause we are bound by our holding in *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075 (Fed. Cir. 1983)—that the marking requirement of 35 U.S.C. § 287(a) does not apply when only method claims are asserted—we reverse the district court's grant of summary judgment dismissing Rexam's counterclaim based on a failure to mark." *Id.* at *6.

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NEW BOTTLES

Sixty-six years later, the Federal Circuit Court of Appeals invoked *Wine Railway* in the context of 35 U.S.C. § 287 (a).³ In *Texas Digital Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219 (Fed. Cir. 2002), the court faced the infringer's argument "[T]hat it did not receive notice that it was infringing the patents in suit until 1998, and, by permitting liability for acts prior to 1998, the rule of *Wine Railway* undermines the notice requirement of 35 U.S.C. § 287." The patent owner countered, arguing, "[T]hat it could not have triggered operation of the statute because it did not produce or sell the patented product—there was no 'failure so to mark' under 35 U.S.C. § 287(a)." *Id.*

Citing *Wine Railway*, the Federal Circuit said, "The Supreme Court in *Wine Railway* held that the patent marking statute did not require a patentee who did not produce the patented device to give actual notice to an infringer before damages could be recovered." *Id.* The Federal Circuit added, "The recovery of damages is not limited where there is no failure to mark, i.e., where the proper patent notice appears on products or where there are no products to mark." *Id.* at 1220. In effect, the Federal Circuit agreed with the U.S. Supreme Court that the word "patentee" in the modern statute is qualified by "making, offering for sale, or selling . . . any patented article."

Chiding the infringer, the Federal Circuit clarified how the marking statute works: "Telegenix's arguments reveal a misunderstanding of the patent marking statute. The statute does not specify when or under what circumstances damages may be recovered. Rather, it describes circumstances that effect a forfeiture of damages." *Id.* at 1219-20. "Thus, Section 287 . . . limits the extent to which damages may be recovered where products covered by a U.S. patent are sold without the notice defined in the statute. *Wine Ry.*, 297 U.S. at 393, 56 S. Ct. 528." *Id.* at 1220.

While this all seems straightforward enough, consider the plight of a district court judge in Illinois. The court correctly observed that, "To recover damages for infringement that occurred prior to the filing of a lawsuit, a patent owner must comply with the marking or actual notice requirements of Title 35, United States Code, Section 287(a) ("Section 287(a))." *Ball Aerosol & Specialty Cont., Inc. v. Limited Brands, Inc.*, 514 F. Supp. 2d 1051, 1509 (N.D. Ill. 2007). Then, veering off course, the court said, "If a patent owner does not make or sell the patented invention and, as such, is unable to physically mark the product, then the patent owner must give an infringer actual notice. *Texas Digital Sys., Inc. v. Telegenix Inc.*, 308 F.3d 1193, 1219-20 (Fed. Cir. 2002)." *Id.* at 1059-60 (emphasis added).

Now you know that the Illinois court erred, and only the most diligent of law clerks (those who read cases cited in cited cases) will be able to figure that out.

3 Suggesting no concern about differences in the statutory language the Federal Circuit said, "Although *Wine Railway* interpreted a predecessor to the current patent marking statute, we have applied *Wine Railway* to the modern statutory counterpart." *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219 (Fed. Cir. 2002).